EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of Shelter Mutual Insurance Company and Shelter General Insurance Company. The period of examination was January 1, 2008 through March 31, 2010. The exam focused on private passenger auto, though the companies write numerous other lines of business as well.

The examiners reviewed the company auto claim and complaint files in their corporate offices in Columbia, Missouri. A series of meetings were held with the Shelter staff that focused on their current operations. To supplement and verify the understanding of how the Company does business, a series of samples were selected for review to verify their procedures and practices in auto claims.

The examiners were impressed with the overall positive and professional performance by the Shelter staff and management to their policyholders. Some isolated errors were discovered, but overall no major problems that appeared to be business practices. One recommendation is being made in regards to handling total loss claims.

RECOMMENDATION

1. The Company should review claims procedures to ensure claims are handled in accordance with Bulletin 2004-8. On one claim, the auto was initially determined to be a total loss. Then the company decided to get an estimate to see if it was repairable. This initial estimate was over 70% to repair with major front-end damage. The claim file appeared to indicate that it would be repaired unless the repair costs were 100% of the Actual Cash Value (ACV). With the first estimate there were notations in the file that a salvage title may be needed. Bulletin 2004-8 specifies that a company should total a vehicle when the total retail cost of repair meets or exceeds seventy-five (75%) percent of the retail value of the motor vehicle.